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**Benefits for Part-time Employees
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EMPLOYER RESPONSIBILITIES

Your responsibilities begin when the member is employed. Each KTRS employer must ensure that KTRS members complete a 'Membership Application' (Form F-1), which includes the beneficiary designation for their retirement account. Employers should also get members to complete a "Designation of Beneficiary for KTRS Life Insurance Benefit" form (DB-1). For active contributing members, the employer must accurately report their earnings before their date of death.

KTRS benefits payable upon death vary according to the member's status at the time of their death. At the time of their death a KTRS member is classified as either (1) an active contributing member or (2) a retired member or a member eligible for retirement.

All members, regardless of status, should have beneficiary designations for their retirement account and for their life insurance benefit. These may be separate beneficiaries or the same beneficiary.

ACTIVE CONTRIBUTING MEMBER

If a member is in active contributing status at the time of their death, then their beneficiary or estate may be eligible for the following KTRS benefits:

- A \$2,000 life insurance benefit
- A refund of any remaining accumulated contributions
- A monthly survivor benefit

In the event of death of an active contributing member, the beneficiary/beneficiaries may receive either (1) a refund of their account balance or (2) a monthly annuity. Some restrictions may apply.

KTRS must have a certified copy of the deceased member's death certificate on file before benefits can be processed. Other supporting documents may also be required.

Life Insurance Benefit

KRS 161.655 provides the legal authority for payment of a life insurance benefit to the beneficiaries of KTRS active and retired members. This benefit is funded by employer contributions to the system (See Chapter Four: Payment of Required Contributions). This benefit is not subject to either federal or state income tax.

If the member's death occurs in the fiscal year after the fiscal year in which the member last contributed to KTRS, then the member is considered to be in active contributing status. The life insurance benefit of a member in active contributing status is \$2,000.

Remaining Accumulated Contributions

The benefits available to beneficiaries of members in active contributing status depend upon whether or not the member was eligible to retire on the date of their death. If the member was eligible to retire due to accumulated service credit at the date of their death, then the member's spouse or legal dependent may elect to receive a monthly annuity in lieu of a refund of their account balance. The

amount of the annuity that may be received must be actuarially equivalent to the annuity the member would have received if retirement had preceded death.

Beneficiaries of members in active contributing status who at the time of the member's death were not eligible to retire or were receiving disability benefits may elect to either receive a refund of their account balance or receive monthly benefits.

Refunds of accumulated contributions are returned as a lump-sum payment.

Beneficiaries of an active or inactive member who choose a refund will receive a return of the member's retirement contributions plus interest. Contributions made to the KTRS medical insurance fund are not refundable. The member's annual Statement of Retirement Account lists the contributions and interest that are refundable after death.

Survivor Benefits

(KRS 161.525) The **Death of a Member in Active Contributing Status Who Was Not Eligible to Retire and the Death of a Member Receiving Disability** entitles the member's beneficiary to elect monthly survivor benefits or a refund of their account balance. The monthly amount the beneficiary is eligible to receive is as follows:

- Surviving spouse \$180 per month. If surviving spouse's total yearly income is below \$6,600 then the monthly benefit is increased to \$240 per month
- Unmarried children under age of 18 (19 if a full-time high school student) receive \$200 per month for one child, \$340 per month for two children, \$400 per month for three children and \$440 per month for four children
- Dependent parents over the age of 65 receive \$200 per month for one parent and \$290 per month for two parents
- Dependent brother or sister may receive \$165 per month
- Dependent children may continue to receive benefits until the age of 23 if they are a full time college student
- The benefits to all the dependents, including the surviving spouse, cease upon subsequent marriage

If the active contributing member had a minimum of ten years service credit at the time of death, the surviving spouse may choose a plan to receive the member's retirement at the time the member would have qualified for benefits. In the interim, the spouse may qualify for benefits under the survivor program. If the spouse selects this option, then benefits will be terminated if the spouse remarries.

A monthly survivor benefit payable to a dependent beneficiary may be paid to a trust provided the trust meets certain requirements. Please call KTRS at 1-800-618-1687 or 502-848-8660 if a trust is being considered for beneficiary designation.

RETIRED MEMBER

If a member was retired or on disability at the time of their death, then their beneficiary or estate may be eligible for the following KTRS benefits:

- A \$5,000 life insurance benefit
- A refund of any remaining accumulated contributions
- A monthly survivor benefit

KTRS must have a certified copy of the deceased member or annuitant's death certificate on file before benefits can be processed. Other supporting documents may also be required.

Life Insurance Benefit

KRS 161.655 provides the legal authority for payment of a life insurance benefit to the beneficiaries of KTRS active and retired members. This benefit is funded by employer contributions to the system (See Chapter Four: Payment of Required Contributions). This benefit is not subject to either federal or state income tax.

If the member was receiving retirement or disability benefits at the time of their death, then the life insurance benefit is \$5,000.

Remaining Accumulated Contributions

Upon the death of a retired member, KTRS will administer the account as specified under the option chosen by the member at retirement. The remaining balance of the member's contribution that has not and will not be paid as a retirement benefit at the time of death will be paid to the member's beneficiary.

Refunds of accumulated contributions are returned as a lump-sum payment.

Beneficiaries of annuitants will receive accumulated contributions minus the amount the member received as a retirement annuity. This distribution will be subject to federal income tax. (See Chapter Nine: Refunds for additional information on refunds due of death.)

Survivor Benefits

(KRS 161.525) The option chosen by the member at retirement will govern the survivor annuity benefit.

If the deceased member was a disability retiree with 27 years of service credit at the time of their death, the member's spouse, if named as beneficiary, may elect to receive a monthly annuity equal to the annuity that would have been received by the member had service retirement been effective on the day before the member's death. Remarriage does not terminate this benefit.

A monthly survivor benefit payable to a dependent beneficiary may be paid to a trust provided the trust meets certain requirements. Please call KTRS at 1-800-618-1687 or 502-848-8660 if a trust is being considered for beneficiary designation.

OTHER CONSIDERATIONS

Beneficiary Designation

At the time of employment, each KTRS employer is required to ensure that each KTRS member completes a "Membership Application" (Form F-1). KTRS members designate their beneficiary by completing Part IV of Member Application (Form F-1). Members may change their beneficiary by completing a "Designation of Beneficiary for Active Members Only" (Form F-1C) form.

KRS 161.655 requires the life insurance benefit to be paid to either "...the member's estate or to a party designated by the member on a form prescribed by KTRS". KTRS encourages its active and retired members to complete and file the "Designation of Beneficiary for KTRS Life Insurance Benefit" form (DB-1) with KTRS. Failure to complete this form or to keep it current could cause the member's beneficiary to incur significant legal costs upon the death of the member. Members should call 800-618-1687 or 502-848-8660 to request this form. Please note that this beneficiary designation does not change the beneficiary designation on the member's retirement account. If KTRS does not have a completed beneficiary form on file for the member, the death benefits mentioned above will be made payable to the member's estate.

Members and annuitants may change beneficiary designations at any time and should review their designation periodically. Members may verify their beneficiary designation by contacting KTRS. To change beneficiaries, a new form must be completed. Beneficiary forms are available by calling the KTRS Information Center 1-800-618-1687 or 502-848-8660.

KTRS provides for the designation of three types of beneficiaries: (1) A primary beneficiary, (2) a contingent beneficiary, and (3) co-beneficiaries. KTRS law requires the signature of the member's spouse if the member designates someone other than the spouse as beneficiary or co-beneficiary.

Contingent beneficiaries receive benefits only if all designated primary beneficiaries predecease the member. If the member's beneficiary designation includes more than one person (co-beneficiaries), then the benefits are divided equally among the living beneficiaries. If no beneficiaries survive, the benefits are paid to the member's estate.

A surviving spouse must send KTRS a copy of the couple's marriage license or, if this is not available, a religious record of marriage. The surviving spouse must also provide a copy of his or her own birth certificate. Birth certificates for any minor children of the member are also required.

Taxes

Survivor benefits that are paid in the form of a monthly annuity are taxable income in the calendar year during which they are received by the beneficiary.

The Accounting Division will send Form 1099-R to the beneficiary and the IRS reporting the amount paid (including direct rollovers) during a calendar year. In addition to showing the amount paid, the Form 1099-R will report the portion that is taxable, the amount of federal income tax withheld, if any, and any amount directly rolled over.

Benefits received from KTRS are subject to Kentucky income tax. The 1099R provided each year by KTRS indicates the amount or the percentage of the annuity that is subject to Kentucky taxation. Beneficiaries who reside in other states should check with their state's Department of Revenue for information concerning the taxability of benefits.

ADDITIONAL INFORMATION

The Employer Guide only summarizes tax rules that might apply to a member's payment. The rules described are complex and contain many conditions and exceptions that are not included in this guide. Therefore, members may want to consult with a professional tax advisor before receiving benefit payments from KTRS.

More specific information on tax treatment of payments from qualified retirement plans can be found in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available at www.irs.gov, from local IRS offices, or by calling 1-800-TAX-FORMS.

Additional information regarding the tax treatment under Kentucky Tax Law can be found by contacting your nearest Kentucky Taxpayer Service Center or the Kentucky Revenue web site at www.revenue.state.ky.us.

Application Procedures

Beneficiaries applying for survivor benefits should call KTRS at 1-800-618-1687 or 502-848-8660. When notifying KTRS of the member's death, provide the deceased member's name, Social Security number, and date of death. KTRS will forward a letter and the appropriate forms to the member's designated beneficiaries for completion. The application requires that beneficiaries provide a certified copy of the member's death certificate, copies of marriage and birth certificates for the surviving spouse, and a copy of the recipient's social security card.

If the member was an active teacher at the time of death, the school district must certify the member's earnings prior to the date of death. KTRS will calculate either a lump sum or a monthly benefit option.

The executor of the member's estate will receive an Application for Death Benefits (Form 9). This form will be accompanied by information regarding direct deposit of payments, federal income tax withholding, the Medical Insurance Fund (MIF), and the taxability of survivor benefits. Once KTRS receives the completed election form and all other required documents, benefits will be processed and then issued by the Accounting Division.

An annuitant's retirement benefit is payable through the date of death. We issue payments at the end of the month for the preceding month. Any payments issued to the annuitant beyond the month of death must be returned to KTRS.

Benefits for Part-time Employees and Substitute Teachers

Members working 45 days per fiscal year will be eligible for survivor benefits and a life insurance benefit for the balance of the fiscal year under certain conditions. For substitute and part-time members - the survivor benefits and life insurance benefit are provided during the first 44 days if death occurs because of physical injury on the job.